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1120 20th Street, N.W.
Washington, DC 20036

August 19, 1999

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

RE: Ex Parte Presentation
CC Docket No. 96-45 – Universal Service/Proxy Cost Models
CC Docket No. 97-160 – Forward-Looking Cost Mechanism

Dear Ms. Salas:

On August 17, 1999, Richard Clarke of AT&T and John Donovan of Telecom Visions met with Katie King, Bob Loube, Abdel Eqab, Bryan Clopton, Richard Kwiatkowski and Gene Fullano of the Common Carrier Bureau. The purpose of this meeting was to summarize the views of AT&T and MCI Worldcom as to the information provided in the Comments and Reply Comments filed in response to the input values FNPRM. These views are summarized in the attached written presentation.

A diskette containing a spreadsheet describing AT&T and MCI Worldcom's proposed methodology for developing cable costs (presented in Exhibit A to AT&T and MCI Worldcom's FNPRM Comments) was given to the Commission staff. Also contained on this diskette is a revised Switching and Interoffice Transport module and Wire Center expense module for use in the Synthesis Model. The former incorporates a correction requested by GTE to ensure that fill factors are applied to investments in standalone switches. The latter corrects a bug that prevented results from being displayed correctly for study areas with fewer than 13 wire centers.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(2) of the Commission's rules. A copy of the diskette is being provided to ITS.

Sincerely,

Richard N. Clarke

Richard N. Clarke

Attachments

cc: Katie King
Abdel Eqab
Gene Fullano
Sheryl Todd
Bob Loube
Bryan Clopton
Richard Kwiatkowski

FNPRM Input Values Issues

1. **Platform issues** Many of the ILEC complaints raised in the Comments and Replies to the FNPRM deal with platform issues that already have been decided by the Commission.

2. **"Isolation" of AT&T and MCI Worldcom views?** While some ILECs have tried to characterize AT&T and MCIW positions as isolated from the mainstream of ILEC thought, they frequently are in concert with views expressed by ILECs.

3. **National vs. ILEC holding company / state / study area-specific input values** There is no way for most ILEC-specific input values to be incentive-compatible or verifiable – to say nothing of operational. Moral hazard problems are already evident. There seems little public policy reason why ILEC business economies reaped at the holding company level and subsidized by ratepayer funds should be for the sole benefit of ILEC stockholders and managers.

4. **PNR geocode data** The accuracy of these data have been more open to verification than practically any other data offered in this proceeding. No ILEC has offered any data that impeach the validity of the PNR data. Indeed, ILECs have vouched for the accuracy of these data in other FCC proceedings.

5. **PNR road surrogating** It has been demonstrated both logically and empirically that road surrogates artificially inflate calculated plant mileage. A downwards adjustment to correct for this bias is appropriate.

6. **Optimization** The several optimization routines in the model are but a subset of those known to and used by actual telephone engineers. This modest amount of optimization assumed in the model should be mandatory for the calculation of universal service subsidies.

7. **Road factor** Distances should be calculated based on right-angle routing with a road factor of one.

8. **Cable costs** Loadings on top of materials' costs should be accumulated in the fashion in which they are incurred, i.e., gauge is largely based on relative copper weight, splicing is based on relative pair count plus setup time, engineering is based largely on number of feet and placing is based on

number of feet and structure type. Backed in to, top-down loadings should be rejected.

9. **Plant mix** Underground plant is not prevalent in either embedded or forward-looking distribution networks. In any event, to the extent that underground distribution runs exist, they are not so long as to require intermediate manholes.

10. **Structure sharing** Underground sharing opportunities include both the situation where a utility rents extra conduit space to other utilities as well as situations where multiple utilities place conduit in a common trench.

11. **Digital Loop Carrier** ILEC contract information for GR-303 IDLC confirms that HAI numbers are accurate, if not generous. Extra ILEC-claimed costs appear to be associated with nonforward-looking UDLC engineering or unwarranted additives.

12. **Switching** Depreciation/RUS data imply generous pricing of switching. ILEC switch contract and affidavit prices support total per-line costs that are close to just the variable portion of proposed switch costs. Equivalent line issue generally supports lower prices. Backed in to, top-down loadings should be rejected.

13. **DLC line offset** It generally is agreed that it is less expensive to terminate lines on a DS1 interface rather than at the analog level. It also is agreed that embedded percentages of IDLC are much less than are engineered by the model. These cost efficiencies are a fundamental element of forward-looking networks, and should be properly reflected.

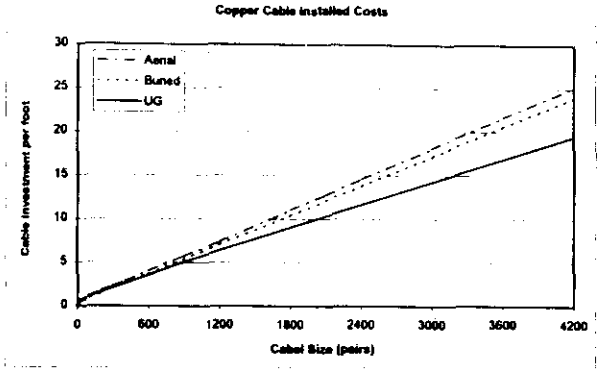
14. **Expenses** One-time costs should be removed.

15. **Depreciation** Proposed figures are appropriate for the projection lives of forward-looking networks engineered to supply efficiently universal service. Proposals to shorten artificially these lives are unsupported empirically and are logically inconsistent.

16. **Equal life groups and tax normalization** Incorporating these features allows the model to reflect more closely the financial realities of telco operations.

Parameters:	Default	Current
Aerial Distance between Splices	1,000	1,000
Buried Distance between Splices	2,000	2,000
UG Distance between Splices	575	575 (cannot be less than 400)
Aerial Placing Rate (ft./day)	5,000	5,000
Buried Placing Rate (ft./day)	8,000	8,000
UG Placing Rate (ft./day)	3,450	3,450
Technician Work Day (hrs)	8.0	8.0
Technician Loaded Labor Rate	$60.00	$60.00
Cable Placing Crew Size	2.0	2.0
Splice Set-up & Closure (hrs)	2.0	2.0
Splicing Rate (pairs/hr.)	250	250
Engineer Work Day (hrs)	8.00	8.00
Engineering Loaded Labor Rate	$60.00	$60.00
Engineering Productivity (ft./day)	10,000	10,000
Engineering Hours/Splice	0.50	0.50
Engineering Hours/300 pairs	0.25	0.25
Productivity Factor	100.00%	100.00%

Average of Aerial, Buried, & UG Simple Averages of All Cable Sizes	
Model	Test Case
$5.99	$23.04



Aerial Cable Size	Test Case 26ga. Mat'l	Placing	Splicing	Engrg	Total	Test Case Aerial Total
1	$0.26	$0.192	$0.120	$0.078	$0.65	$1.68
6	$0.26	$0.192	$0.121	$0.078	$0.65	$1.68
12	$0.26	$0.192	$0.123	$0.079	$0.65	$1.68
18	$0.26	$0.192	$0.124	$0.079	$0.66	$1.68
25	$0.26	$0.192	$0.126	$0.079	$0.66	$1.68
50	$0.36	$0.192	$0.132	$0.081	$0.76	$2.32
100	$0.55	$0.192	$0.144	$0.083	$0.97	$3.55
200	$0.95	$0.192	$0.168	$0.088	$1.40	$6.13
300	$1.33	$0.192	$0.192	$0.093	$1.81	$8.58
400	$1.69	$0.192	$0.216	$0.098	$2.20	$10.90
600	$2.47	$0.192	$0.264	$0.108	$3.03	$15.94
900	$3.45	$0.192	$0.336	$0.123	$4.10	$22.26
1200	$4.48	$0.192	$0.408	$0.138	$5.22	$28.90
1800	$6.63	$0.192	$0.552	$0.168	$7.54	$42.77
2100	$7.20	$0.192	$0.624	$0.183	$8.20	$46.45
2400	$8.23	$0.192	$0.696	$0.198	$9.32	$53.10
3000	$10.81	$0.192	$0.840	$0.228	$12.07	$69.74
3600	$12.97	$0.192	$0.984	$0.258	$14.40	$83.68
4200	$15.14	$0.192	$1.128	$0.288	$16.75	$97.68
Simple Avg	$5.10	$0.19	$0.454	$0.15	$5.89	$26.34

Buried Cable Size	Test Case 26ga. Mat'l	Placing	Splicing	Engrg	Total	Test Case Buried
1	$0.22	$0.120	0.060	0.063	$0.46	$0.95
6	$0.22	$0.120	0.061	0.063	$0.46	$0.95
12	$0.22	$0.120	0.061	0.063	$0.46	$0.95
18	$0.22	$0.120	0.062	0.063	$0.47	$0.95
25	$0.22	$0.120	0.063	0.064	$0.47	$0.95
50	$0.32	$0.120	0.066	0.064	$0.57	$1.38
100	$0.52	$0.120	0.072	0.066	$0.78	$2.24
200	$0.95	$0.120	0.084	0.068	$1.22	$4.09
300	$1.32	$0.120	0.096	0.071	$1.61	$5.69
400	$1.75	$0.120	0.108	0.073	$2.05	$7.54
600	$2.76	$0.120	0.132	0.078	$3.09	$11.85
900	$3.56	$0.120	0.168	0.086	$3.93	$15.28
1200	$5.32	$0.120	0.204	0.093	$5.74	$22.83
1800	$7.16	$0.120	0.276	0.108	$7.66	$30.86
2100	$8.16	$0.120	0.312	0.116	$8.71	$35.17
2400	$9.19	$0.120	0.348	0.123	$9.78	$39.61
3000	$11.49	$0.120	0.420	0.138	$12.17	$49.31
3600	$13.79	$0.120	0.492	0.153	$14.56	$59.18
4200	$16.08	$0.120	0.564	0.168	$16.93	$69.31
Simple Avg	$5.51	$0.120	0.227	0.098	$5.95	$18.90

UG Cable Size	Test Case 26ga. Mat'l	Placing	Splicing	Engrg	Total	Test Case UG Total
1	$0.09	0.278	0.209	0.100	$0.68	$0.52
6	$0.09	0.278	0.211	0.101	$0.68	$0.52
12	$0.09	0.278	0.214	0.101	$0.68	$0.52
18	$0.09	0.278	0.216	0.102	$0.69	$0.52
25	$0.09	0.278	0.219	0.102	$0.69	$0.52
50	$0.19	0.278	0.230	0.105	$0.80	$1.06
100	$0.38	0.278	0.250	0.109	$1.02	$2.11
200	$0.76	0.278	0.292	0.118	$1.45	$4.22
300	$1.14	0.278	0.334	0.126	$1.88	$6.33
400	$1.51	0.278	0.376	0.135	$2.30	$8.44
600	$2.27	0.278	0.459	0.152	$3.16	$12.68
900	$3.39	0.278	0.584	0.178	$4.43	$18.94
1200	$4.41	0.278	0.710	0.205	$5.60	$24.64
1800	$6.33	0.278	0.960	0.257	$7.82	$35.36
2100	$7.31	0.278	1.085	0.283	$8.96	$40.84
2400	$8.28	0.278	1.210	0.309	$10.08	$46.26
3000	$10.23	0.278	1.461	0.361	$12.33	$57.15
3600	$12.13	0.278	1.711	0.413	$14.53	$67.77
4200	$14.05	0.278	1.962	0.465	$16.76	$78.49
Simple Avg	$4.83	0.278	0.790	0.221	$6.12	$23.87

Attachment A

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For diskette see docket

96-45.